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Message Text

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APPROVED BY EUR/RPE:PLLAASE
TREAS:JAGRIFFIN
TREAS:AGKLESCH
SEC:MKULCZAK (SUBS)
SEC: AJONES (SUBS)
SEC:YKUWAYAMA (SUBS)
SEC: ABROWN (SUBS)
SEC:CEVANS (SUBS)
FRB: JKICHLINE
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TAGS:

SUBJECT: OECD COMMITTEE ON FINANCIAL MARKETS FOLLOW-UP
QUESTIONNAIRES ON SECURITIES REGULATIONS
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REF: (A) CMF(76)34; (B) CMF(76)23; (C) CMF(76)24

1. AT THE NOVEMBER 1976 MEETING OF THE OECD COMMITTEE ON FINANCIAL MARKETS, MEMBER COUNTRIES WERE REQUESTED TO PROVIDE FOLLOW-UP INFORMATION BY JANUARY 31 ON VARIOUS SECURITIES REGULATIONS AS ELABORATED IN THE REFERENCED DOCUMENTS. PLEASE TRANSMIT OUR RESPONSES AS INDICATED BELOW TO THE OECD SECRETARIAT.

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2. COUNTRIES WERE ASKED IN REFDOC A FOR INFORMATION CONCERNING STANDARD RULES FOR THE OPERATIONS OF INSTITUTIONS FOR COLLECTIVE INVESTMENT IN SECURITIES. THE SEC STAFF HAS REVIEWED THE MATERIAL AND HAS PROVIDED THE FOLLOWING INFORMATION.

(A) IN THE TABLE ENTITLED "SUMMARY OF THE INFORMATION GIVEN BY NATIONAL ADMINISTRATIONS," THE ENTRIES FOR THE UNITED STATES ARE STILL ACCURATE WITH TWO EXCEPTIONS.

(1) COLUMN (IV) (PREPARATION OF NEW LEGISLATION AND REGULATIONS) SHOULD BE CHANGED TO READ:
"THE STAFF OF THE SEC HAS RECENTLY BEGUN A STUDY TO CONSIDER WHETHER ANY AMENDMENT OF THE INVESTMENT COMPANY ACT OF 1940 SHOULD BE RECOMMENDED. IT IS EXPECTED THAT ANY RESULTING LEGISLATION WOULD CONTINUE TO BE SUBSTANTIALLY IN LINE WITH THE STANDARD RULES."

(2) THE JOINT ENTRY FOR COLUMN (V) (POLICY AND PRACTICE CONCERNING THE ADMISSION OF FOREIGN INSTITUTIONS FOR COLLECTIVE INVESTMENT) AND COLUMN (VI) (REMARKS) SHOULD BE CHANGED TO READ:

"INVESTMENT COMPANIES NOT ORGANIZED IN THE U.S. MAY SELL SECURITIES ONLY WITH SPECIAL PERMISSION OF THE SEC WHICH MAY BE GRANTED IF THE SEC FINDS THAT BY REASON OF SPECIAL
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CIRCUMSTANCES OR ARRANGEMENTS, IT IS BOTH LEGALLY AND PRACTICALLY FEASIBLE EFFECTIVELY TO ENFORCE THE PROVISIONS OF THE INVESTMENT COMPANY ACT AGAINST SUCH COMPANY AND THAT IT IS OTHERWISE CONSISTENT WITH THE PUBLIC INTEREST AND THE PROTECTION OF INVESTORS.

"IN CONNECTION WITH A RECENTLY BEGUN STAFF REVIEW OF THE INVESTMENT COMPANY ACT AND POSSIBLE DESIRABLE AMENDMENTS THERETO, CONSIDERATION MAY BE GIVEN TO AMENDING THAT STATUTE OR ADOPTING A RULE WHICH COULD ALTER THE SEC STANDARDS CONCERNING THE ADMISSION INTO THE U.S. OF SUCH FOREIGN INVESTMENT COMPANIES."

(B) REGARDING THE REQUESTS FOR AVAILABLE FIGURES ON THE NUMBER OF AND EXTENT OF OPERATIONS (SALES AND REDEMPTIONS) OF FOREIGN INSTITUTIONS FOR COLLECTIVE INVESTMENT IN THE UNITED STATES, OUR RESPONSE IS THE FOLLOWING:

"THERE ARE NOW FIVE FOREIGN INVESTMENT COMPANIES REGISTERED WITH THE SEC. ONE IS INACTIVE AND IN THE

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PROCESS OF DEREGISTERING. TWO, ONE ENGLISH AND ONE SOUTH AFRICAN, ARE "CLOSED-END" COMPANIES, THAT IS, THEY DO NOT ISSUE REDEEMABLE SECURITIES. THE OTHER TWO COMPANIES, BOTH CANADIAN, ARE "OPEN-END" COMPANIES, THAT IS, THEY ISSUE REDEEMABLE SECURITIES.

"THE TOTAL NET ASSETS OF THE FOUR ACTIVE FOREIGN INVESTMENT COMPANIES REGISTERED WITH THE SEC WERE APPROXIMATELY DOLS 245 MILLION AS OF JUNE 30, 1976. SALES OF THE TWO OPEN-END COMPANIES AGGREGATED APPROXIMATELY DOLS 8 MILLION FOR THEIR YEARS ENDING DECEMBER 31, 1975 AND APRIL 30, 1976. REDEMPTIONS FOR THE SAME PERIOD TOTALED APPROXIMATELY DOLS 3 MILLION."

(C) REGARDING THE REQUEST FOR AVAILABLE FIGURES ON UNCLASSIFIED

FOREIGN SECURITY HOLDINGS OF DOMESTIC INSTITUTIONS FOR COLLECTIVE INVESTMENT, OUR RESPONSE IS THE FOLLOWING:

"THE SEC DOES NOT MAINTAIN THE STATISTICS REQUESTED BY THE OECD. AN INFORMAL REVIEW OF SEC FILES, HOWEVER, INDICATES THAT THERE ARE AT LEAST 15 INVESTMENT COMPANIES (BOTH OPEN- AND CLOSED-END) REGISTERED WITH THE SEC, WHICH INVEST PRIMARILY IN SECURITIES OF FOREIGN ISSUERS. TWELVE OF THE 15 COMPANIES ARE ORGANIZED IN THE U.S. AND THREE ARE FOREIGN-BASED. THE TOTAL NET ASSETS OF THESE 15 COMPANIES ARE APPROXIMATELY DOLS 600 MILLION, AND THE TOTAL NET ASSETS OF THE TWELVE U.S. COMPANIES ARE APPROXIMATELY DOLS 375 MILLION. THESE FIGURES DO NOT REPRESENT AN OFFICIAL SURVEY BY THE SEC; NOR DO THEY REFLECT TOTAL UNITED STATES INVESTMENT COMPANY HOLDINGS OF FOREIGN-ISSUED SECURITIES. THE LATTER FIGURE MAY BE MORE OR LESS THAN DOLS 375 MILLION. THE DOLS 375 MILLION INCLUDES ALL ASSETS OF U.S. COMPANIES PRIMARILY INVESTED IN FOREIGN SECURITIES AND NO ASSETS OF U.S. COMPANIES NOT PRIMARILY INVESTED IN FOREIGN SECURITIES BUT WHICH DO HOLD SOME FOREIGN SECURITIES."

3. IN REFDOC B, COUNTRIES WERE ASKED FOR INFORMATION CONCERNING RESTRICTIONS WHICH MEMBER COUNTRIES IMPOSE ON PORTFOLIO INVESTMENT IN UNLISTED OR UNQUOTED SECURITIES. SPECIFICALLY, COUNTRIES WERE ASKED TO UPDATE THE SYNOPTIC TABLE WHICH INDICATES MAJOR AREAS WHERE AUTHORITIES OF MEMBER COUNTRIES MAKE DISTINCTIONS IN THEIR LAWS AND REGULATIONS BETWEEN LISTED AND UNLISTED SECURITIES. ACCORDINGLY, THE TREASURY DEPARTMENT STAFF HAS REVIEWED THE SYNOPTIC TABLE; THE ENTRIES FOR THE UNITED STATES ARE STILL ACCURATE WITH THE FOLLOWING EXCEPTIONS:

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(A) THE ENTRY FOR "INSTITUTIONS FOR COLLECTIVE INVESTMENT" SHOULD BE "S M", TO REFLECT STATE LIMITS
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ON MUTUAL FUND HOLDINGS OF (1) SECURITIES WHICH HAVE NOT BEEN REGISTERED UNDER FEDERAL AND STATE SECURITIES LAWS AND (2) ILLIQUID SECURITIES. WHILE THESE STATE REQUIREMENTS DO NOT EXPLICITLY DISCRIMINATE AGAINST UNLISTED SECURITIES, THEY TEND TO INHIBIT INVESTMENT IN UNLISTED SECURITIES.

(B) THE ENTRY FOR "SAVINGS BANKS" SHOULD BE "S M", TO REFLECT THE NEW YORK AND NEW JERSEY STATE LEGAL INVESTMENT LAWS WHICH RESTRICT INVESTMENT BY SAVINGS BANKS IN UNLISTED COMMON STOCK.

(C) THE "INVESTMENTS BY" SECTION SHOULD BE EXPANDED BY ADDING A NEW ROW ENTITLED "NON-INSTITUTIONAL INVESTORS." THE UNITED STATES ENTRY FOR THIS ROW SHOULD READ "S M (4)", TO REFLECT THE FACT THAT STATE SECURITIES LAWS GENERALLY DISTINGUISH BETWEEN LISTED AND UNLISTED SECURITIES. AT THE BOTTOM OF THE TABLE, THE FOLLOWING FOOTNOTE (4) SHOULD BE ADDED: "(4) DISTINCTION IS MADE IN STATE RATHER THAN IN FEDERAL SECURITIES LAWS."

4. IN REFDOC C, COUNTRIES WERE ASKED FOR INFORMATION CONCERNING REGULATIONS FOR THE PUBLIC OFFER AND FOR STOCK EXCHANGE LISTING OR QUOTATION OF FOREIGN SECURITIES. SPECIFICALLY, COUNTRIES WERE ASKED TO UP-DATE THE COUNTRY AND CATEGORY TABLES (TABLES 3 AND 4) ON REQUIREMENTS APPLICABLE TO FOREIGN ISSUERS WHICH DIFFER FROM THOSE APPLICABLE TO DOMESTIC ISSUERS. THE SEC STAFF HAS REVIEWED THE ENTRIES FOR THE U.S. AND CONCLUDED THAT THEY SHOULD BE REVISED.

(A) IN TABLE 3, THE ENTRY UNDER "PUBLIC OFFER" SHOULD BE CHANGED TO READ: "NO SUBSTANTIAL DIFFERENTIATION MADE VIS-A-VIS FOREIGN AND DOMESTIC PRIVATE ISSUERS. HOWEVER, FOREIGN GOVERNMENTAL ISSUERS MUST REGISTER WITH THE SEC, WHILE DOMESTIC GOVERNMENTAL ISSUERS ARE EXEMPT."
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ALSO, THE ENTRY UNDER "ADMISSION TO QUOTATION" SHOULD BE CHANGED TO READ: "SEC REGISTRATION AND REPORTING REQUIRE-

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MENTS FOR FOREIGN PRIVATE ISSUERS ARE LESS STRINGENT THAN FOR DOMESTIC PRIVATE ISSUERS. LISTING REQUIREMENTS ARE ESTABLISHED BY THE RESPECTIVE SECURITIES EXCHANGES AND MAY VARY FROM ONE EXCHANGE TO ANOTHER; THESE EXCHANGES MAY PROVIDE ALTERNATE LISTING CRITERIA AVAILABLE ONLY TO FOREIGN PRIVATE ISSUERS."

(B) IN TABLE 4, THE ENTRIES FOR THE UNITED STATES ARE STILL ACCURATE, EXCEPT THAT THE ENTRY "UNITED STATES (2)" SHOULD BE ADDED FOR ITEM I.B) UNDER "IN CASE OF LISTING." ALSO, AT THE BOTTOM OF THE TABLE, THE FOLLOWING FOOTNOTE (2) SHOULD BE ADDED: "SEC REGISTRATION AND REPORTING REQUIREMENTS FOR FOREIGN PRIVATE ISSUERS ARE LESS STRINGENT THAN FOR DOMESTIC PRIVATE ISSUERS. LISTING REQUIREMENTS ARE ESTABLISHED BY THE RESPECTIVE SECURITIES EXCHANGES AND MAY VARY FROM ONE EXCHANGE TO ANOTHER; THESE EXCHANGES MAY PROVIDE ALTERNATE LISTING CRITERIA AVAILABLE ONLY TO FOREIGN

PRIVATE ISSUERS."
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Message Attributes

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